

TRANSMITTAL # 4

MEMORANDUM

March 26, 2002

TO: Workforce Development Council

FROM: Roger B. Madsen, Director

SUBJECT: Workforce Investment Act Performance and Incentive Fund Modification

ACTION REQUESTED: Approval of the proposed modification to Idaho's WIA Incentive Fund allocation process

BACKGROUND:

Idaho's WIA PY 2001 state budget reserves 10% of the State 15% Reserve, or approximately \$158,000, to support incentive allocations to the six *IdahoWorks* areas based on exemplary performance. The State's Strategic Five Year plan describes the following process for allocating the funds: The incentive fund allocations will be based on the WIA 17 core performance standards. Idaho will use a similar process for determining local eligibility for incentive funds as the USDOL utilizes to determine State eligibility for incentives. That is, to qualify for incentive funds, an area must obtain a 100% or higher cumulative average for each program area (adults/youth/dislocated worker) and the customer satisfaction measures. No individual program may have a cumulative average of less than 100%. In addition, an area may not have any of their 17 measures fall below 80% of their negotiated performance levels in order to be eligible to receive incentive funds.

Recently, the United States General Accounting Office (GAO) completed their assessment of the implementation effort for WIA performance measures. While the study noted that some progress has been made, there are several issues with the WIA performance measures system. These issues include confusing and inconsistent performance definitions, lack of a process for making adjustments to the performance measures based on local factors and time delays and limits on accessing UI wage record data. The report concludes, "Given the challenges states have faced in implementing the new performance measurement system, more time is needed before the measures can meaningfully gauge the success of the programs." Further, the report includes recommendations that the USDOL delay the application of financial sanctions for at least one year to enable states more time to develop their data systems and that the USDOL consider fully

funding the Wage Record Interchange System to facilitate the sharing of UI wage record data across state lines.

Overall, we agree with the GAO study and we believe that the study's findings also suggest that Idaho's current incentive policies be revised. Attached is a table depicting the State's and six local areas' performance for PY 2001. Overall, the data shows that we made good progress in implementing WIA. The State met or exceeded all 17 core measures. However, at the local level, some areas did not meet all the standards and we believe that this is largely the result of the issues cited in the GAO study.

Under our current incentive policies, three areas (regions 1, 3 and 5) would qualify for incentives, while regions 2, 4 and 6 would not be eligible due to their failure to meet the required 80% minimum level of performance on all measures. It is important to note that these areas' substandard performance was on the earnings related measures. These measures are especially impacted by the problems associated with the UI wage record data, as these measures are based solely on UI data and no supplemental reporting is allowed. We believe that the earnings measures are more vulnerable to local factors and that processes for making adjustments based on these local factors are just beginning to be developed. Also, the outcome data for the PY 2000 UI wage based measures is based on exiters from the last three quarters of JTPA (October 1999 to June 2000) and the first quarter of WIA (July 2000 to September 2000).

RECOMMENDATION:

Considering the implementation issues with the WIA performance measures and that the WIA PY 2000 performance is largely based on JTPA performance, the Department recommends that the current incentive allocation policies be delayed until PY 2002 WIA performance data is available. As we believe that all six areas made significant progress in PY 2000 implementing WIA, we are recommending that the \$158,000 of incentive funds be equally divided among all the areas. We are recommending a similar allocation process for PY 2001 contingent upon continued successful implementation of WIA.

At a minimum, this will ensure that measures are based on WIA exiters and program services and it will provide additional time to address the other issues with the WIA performance measures.

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Attachment

PY 2000 PERFORMANCE

	Goal	State	Area 1	Area 2	Area 3	Area 4	Area 5	Area 6
Adult Programs								
Employment	69%	80%	83%	73%	80%	78%	95%	74%
Employment Retention	79%	89%	83%	79%	95%	96%	100%	88%
Average Earnings Change	\$3,500	\$4,057	\$2,802	\$2,269	\$6,172	\$4,562	\$4,906	\$1,932
Employed and Credential	45%	62%	50%	45%	80%	73%	63%	89%
Dislocated Worker								
Employment	73%	91%	91%	81%	92%	90%	93%	92%
Employment Retention	88%	92%	93%	88%	92%	92%	89%	96%
Earnings Replacement Rate	92%	93%	91%	109%	91%	115%	133%	62%
Employed and Credential	45%	65%	37%	50%	72%	82%	62%	78%
Older Youth								
Employment	68%	80%	87%	70%	68%	92%	83%	83%
Employment Retention	80%	89%	90%	67%	86%	100%	88%	88%
Average Earnings Change	\$2,353	\$3,464	\$3,371	\$3,118	\$3,739	\$805	\$4,595	\$5,271
Employed and Credential	35%	74%	67%	NA	80%	86%	100%	60%
Younger Youth								
Skill Attainment Rate	60%	92%	88%	96%	93%	100%	96%	92%
Diploma or Equivalent Rate	50%	73%	63%	75%	82%	NA	100%	62%
Retention Rate	54%	62%	56%	NA	100%	67%	NA	100%
Customer Satisfaction								
Participants	68%	83%	86%	76%	83%	84%	88%	83%
Employers	66%	80%						